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SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-80649; File No. SR-GEMX-2017-07)

May 10, 2017

Self-Regulatory Organizations; Nasdaq GEMX, LLC; Notice of Filing and Immediate Effectiveness of Proposed Rule Change to Establish INET Ports

Pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”)<sup>1</sup>, and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on April 27, 2017, Nasdaq GEMX, LLC (“GEMX” or “Exchange”) filed with the Securities and Exchange Commission (“SEC” or “Commission”) the proposed rule change as described in Items I and II, below, which Items have been prepared by the Exchange. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange proposes to establish ports that members use to connect to the Exchange with the migration of the Exchange’s trading system to the Nasdaq INET architecture.

The text of the proposed rule change is available on the Exchange’s website at [www.ise.com](http://www.ise.com), at the principal office of the Exchange, and at the Commission’s Public Reference Room.

II. Self-Regulatory Organization’s Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant aspects of such statements.

A. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The purpose of the proposed rule change is to establish ports that members use to connect to the Exchange with the migration of the Exchange's trading system to the Nasdaq INET architecture.<sup>3</sup> In particular, the Exchange proposes to establish the following connectivity options that are available in connection with the re-platform of the Exchange's trading system: Specialized Quote Feed ("SQF"), SQF Purge, Ouch to Trade Options ("OTTO"), Clearing Trade Interface ("CTI"), Financial Information eXchange ("FIX"), FIX Drop, Disaster Recovery, and Market Data. These connectivity options, which are described in more detail below, are the same as connectivity options currently used to connect to the Exchange's affiliates, including Nasdaq Phlx ("Phlx"), Nasdaq Options Market ("NOM"), and Nasdaq BX ("BX").<sup>4</sup> The Exchange recently filed a proposed rule change to adopt fees for its port offerings, which are currently offered free of charge,<sup>5</sup> and is filing this proposed rule change to establish the ports themselves.

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<sup>3</sup> See Securities Exchange Act Release No. 80011 (February 10, 2017), 82 FR 10927 (February 16, 2017) (SR-ISEGemini-2016-17).

<sup>4</sup> See Phlx Pricing Schedule, VII. Other Member Fees, B. Port Fees; NOM Rules, Chapter XV Options Pricing, Sec. 3 NOM - Ports and other Services; BX Rules, Chapter XV Options Pricing, Sec. 3 BX - Ports and other Services.

<sup>5</sup> See Securities Exchange Act Release No. 80213 (March 10, 2017), 82 FR 14066 (March 16, 2017) (SR-ISEGemini-2017-10).

### 1. Specialized Quote Feed

SQF is an interface that allows market makers to connect and send quotes, sweeps and auction responses into the Exchange. Data includes the following: (1) Options Auction Notifications (e.g., opening imbalance, Flash, PIM, Solicitation and Facilitation or other information); (2) Options Symbol Directory Messages; (3) System Event Messages (e.g., start of messages, start of system hours, start of quoting, start of opening); (4) Option Trading Action Messages (e.g., halts, resumes); (5) Execution Messages (6) Quote Messages (quote/sweep messages, risk protection triggers or purge notifications).

### 2. SQF Purge

SQF Purge is a specific port for the SQF interface that only receives and notifies of purge requests from the market maker. Dedicated SQF Purge Ports enable market makers to seamlessly manage their ability to remove their quotes in a swift manner.

### 3. Ouch to Trade Options

OTTO is an interface that allows market participants to connect and send orders, auction orders and auction responses into the Exchange. Data includes the following: (1) Options Auction Notifications (e.g., Flash, PIM, Solicitation and Facilitation or other information); (2) Options Symbol Directory Messages; (3) System Event Messages (e.g., start of messages, start of system hours, start of quoting, start of opening); (5) Option Trading Action Messages (e.g., halts, resumes); (6) Execution Messages (7) Order Messages (order messages, risk protection triggers or purge notifications).

### 4. Clearing Trade Interface

CTI is a real-time clearing trade update is a message that is sent to a member after an execution has occurred and contains trade details. The message containing the trade details is

also simultaneously sent to The Options Clearing Corporation. The information includes, among other things, the following: (i) The Clearing Member Trade Agreement or “CMTA” or The Options Clearing Corporation or “OCC” number; (ii) Exchange badge or house number; (iii) the Exchange internal firm identifier; and (iv) an indicator which will distinguish electronic and non-electronically delivered orders; (v) liquidity indicators and transaction type for billing purposes; (vi) capacity

#### 5. Financial Information eXchange

FIX is an interface that allows market participants to connect and send orders and auction orders into the Exchange. Data includes the following: (1) Options Symbol Directory Messages; (2) System Event Messages (e.g., start of messages, start of system hours, start of quoting, start of opening); (3) Option Trading Action Messages (e.g., halts, resumes); (4) Execution Messages (5) Order Messages (order messages, risk protection triggers or purge notifications).

#### 6. FIX Drop

FIX Drop is a real-time order and execution update is a message that is sent to a member after an order been received/modified or an execution has occurred and contains trade details. The information includes, among other things, the following: (1) Executions (2) cancellations (3) modifications to an existing order (4) busts or post-trade corrections.

#### 7. Disaster Recovery

Disaster Recovery ports provide connectivity to the exchange’s disaster recovery data center in Chicago to be utilized in the event the exchange has to fail over during the trading day. DR Ports are available for SQF, SQF Purge, CTI, OTTO, FIX and FIX Drop.

## 8. Market Data

Market Data ports provide connectivity to the Exchange's proprietary market data feeds, including the Nasdaq GEMX Real-time Depth of Market Raw Data Feed ("Depth of Market Feed"),<sup>6</sup> the Nasdaq GEMX Order Feed ("Order Feed"),<sup>7</sup> the Nasdaq GEMX Top Quote Feed ("Top Quote Feed"),<sup>8</sup> and the Nasdaq GEMX Trades Feed ("Trades Feed").<sup>9</sup> The Depth Feed, Order Feed, and Top Quote Feed have each previously been established as market data offerings of the Exchange,<sup>10</sup> and market participants are charged for subscriptions to these products.<sup>11</sup> The Trades Feed is a free market data product provided to subscribers of at least one of the fee liable

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<sup>6</sup> The Depth Feed, provides aggregate quotes and orders at the top five price levels on the Exchange, and provides subscribers with a consolidated view of tradable prices beyond the BBO, showing additional liquidity and enhancing transparency for GEMX traded options. The data provided for each instrument includes the symbols (series and underlying security), put or call indicator, expiration date, the strike price of the series, and trading status. In addition, subscribers are provided with total quantity, customer quantity (if present), price, and side (*i.e.*, bid/ask). This information is provided for each of the five indicated price levels on the Depth Feed. The feed also provides participants of imbalances on opening/reopening.

<sup>7</sup> The Order Feed provides information on new orders resting on the book. In addition, the feed also announces auctions. The data provided for each instrument includes the symbols (series and underlying security), put or call indicator, expiration date, the strike price of the series, and trading status. The feed also provides participants of imbalances on opening/reopening.

<sup>8</sup> The Top Quote Feed calculates and disseminates its best bid and offer position, with aggregated size (Total & Customer), based on displayable order and quote interest in the options market system. The feed also provides last trade information along with opening price, cumulative volume, high and low prices for the day. The data provided for each instrument includes the symbols (series and underlying security), put or call indicator, expiration date, the strike price of the series, and trading status.

<sup>9</sup> The Trades Feed displays last trade information along with opening price, cumulative volume, high and low prices for the day. The data provided for each instrument includes the symbols (series and underlying security), put or call indicator, expiration date, the strike price of the series, and trading status.

<sup>10</sup> See Securities Exchange Act Release No. 71087 (December 17, 2013), 78 FR 77545 (December 23, 2013) (SR-Topaz-2013-17).

<sup>11</sup> See GEMX Schedule of Fees, Section V., Market Data.

market data products described above. In connection with the adoption of Market Data ports described above, the Exchange further proposes to establish the Trades Feed. Market Data ports are available via multicast, TCP, or as an intra-day snapshot, except that the intra-day snapshot option is available solely for the Depth of Market Feed and Top Quote Feed. In connection with the adoption of Market Data ports, which will provide connectivity to the four market data feeds described above, the Exchange also proposes to remove references to ITCH-to-Trade Options (“ITTO”) ports from the Schedule of Fees and replace them with references to Market Data ports. ITTO is currently defined as a port that provides connectivity to the Depth Feed. As noted above, Market Data ports will provide access to Depth Feed along with the Order Feed, Top Quote Feed, and Trades Feed.

## 2. Statutory Basis

The Exchange believes that its proposal is consistent with Section 6(b) of the Securities Exchange Act of 1934 (the “Act”)<sup>12</sup> in general, and furthers the objectives of Section 6(b)(5) of the Act<sup>13</sup> in particular, in that it is designed to promote just and equitable principles of trade, to remove impediments to and perfect the mechanism for a free and open market and a national market system, and, in general, to protect investors and the public interest.

The Exchange believes that the proposed rule change is consistent with the protection of investors and the public interest as it establishes various ports used to connect to the GEMX INET trading system. The Exchange’s port offerings are changing with the re-platform as the ports used by INET differ from the ports used to connect to the T7 trading system. Market participants that connect to the INET trading system may use the following ports mentioned above: SQF, SQF Purge, OTTO, CTI, FIX, FIX Drop, Disaster Recovery, and Market Data.

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<sup>12</sup> 15 U.S.C. 78f(b).

<sup>13</sup> 15 U.S.C. 78f(b)(5).

These ports are the same as ports currently used by the Exchange's affiliates, and therefore offer a familiar experience for market participants. The ports described in this filing provide a range of important features to market participants, including the ability to submit orders and quotes, receive market data, and perform other functions necessary to manage trading on the Exchange. The Exchange recently adopted port fees for the ports described in this filing, and believes that filing separately to establish these ports will increase transparency to market participants regarding connectivity options provided by the Exchange.

The Exchange also believes that it is consistent with the protection of investors and public interest to establish the Trades Feed as this feed, which is currently provided free of charge, provides valuable trade information to subscribers. The Trades Feed designed to promote just and equitable principles of trade by providing all subscribers with data that should enable them to make informed decisions on trading in GEMX options by using the data to assess current market conditions that directly affect such decisions. The market data provided by this feed removes impediments to, and is designed to further perfect, the mechanisms of a free and open market and a national market system by making the GEMX market more transparent and accessible to market participants making routing decisions concerning their options orders.

B. Self-Regulatory Organization's Statement on Burden on Competition

In accordance with Section 6(b)(8) of the Act,<sup>14</sup> the Exchange does not believe that the proposed rule change will impose any burden on intermarket or intramarket competition that is not necessary or appropriate in furtherance of the purposes of the Act. As explained above, the Exchange is establishing the ports used to connect to the GEMX INET trading system. The Exchange does not believe that establishing these ports, which are currently offered free of

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<sup>14</sup> 15 U.S.C. 78f(b)(8).

charge, will have any competitive impact. Similarly, the exchange does not believe that establishing the Trades Feed, which is also a free offering, will have any competitive impact.

C. Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants, or Others

No written comments were either solicited or received.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

Because the foregoing proposed rule change does not: (i) significantly affect the protection of investors or the public interest; (ii) impose any significant burden on competition; and (iii) become operative for 30 days from the date on which it was filed, or such shorter time as the Commission may designate, it has become effective pursuant to Section 19(b)(3)(A)(iii) of the Act<sup>15</sup> and subparagraph (f)(6) of Rule 19b-4 thereunder.<sup>16</sup>

In its filing, GEMX requested that the Commission waive the 30-day operative delay in order to enable the Exchange to more quickly establish the Trades Feed and the ports used by members to connect to the Exchange's INET trading system. The Commission believes that such waiver is consistent with the protection of investors and the public interest. GEMX noted that its members have received numerous communications regarding the availability of the new port offerings, which are the same as the connectivity options used to connect to the Exchange's affiliates; in fact, members are already using these ports to connect to INET. Similarly, GEMX explained that the proposed Trades Feed has already been disclosed to members and that subscribers to GEMX market data have already been given access to the proposed Trades Feed.

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<sup>15</sup> 15 U.S.C. 78s(b)(3)(A)(iii).

<sup>16</sup> 17 CFR 240.19b-4(f)(6). In addition, Rule 19b-4(f)(6) requires a self-regulatory organization to give the Commission written notice of its intent to file the proposed rule change at least five business days prior to the date of filing of the proposed rule change, or such shorter time as designated by the Commission. The Exchange has satisfied this requirement.



To avoid disrupting member usage of GEMX connectivity and data options, the Commission designates the proposed rule change to be operative upon filing.<sup>17</sup>

At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is: (i) necessary or appropriate in the public interest; (ii) for the protection of investors; or (iii) otherwise in furtherance of the purposes of the Act. If the Commission takes such action, the Commission shall institute proceedings to determine whether the proposed rule should be approved or disapproved.

#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-GEMX-2017-07 on the subject line.

##### Paper Comments:

- Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-GEMX-2017-07. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your

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<sup>17</sup> For purposes only of waiving the 30-day operative delay, the Commission has also considered the proposed rule's impact on efficiency, competition, and capital formation. See 15 U.S.C. 78c(f).

comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>). Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR-GEMX-2017-07 and should be submitted on or before [insert date 21 days from publication in the Federal Register].

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>18</sup>

Eduardo A. Aleman  
Assistant Secretary

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<sup>18</sup> 17 CFR 200.30-3(a)(12) and (59).

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